TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 2554 - HB 2645

March 5, 2018

SUMMARY OF BILL: Authorizes the State of Tennessee to issue direct general obligation interest bearing bonds in amounts not to exceed $245,435,000. The proceeds will be allocated as follows: $30,708,000 to the Department of Finance and Administration (F&A) for capital outlay projects; $87,727,000 to F&A to provide funds for the state office buildings and support facilities revolving fund; and $127,000,000 to the Department of Transportation for the construction of highways and for acquisition of equipment, and erection, construction and equipment of sites and buildings, including the acquisition of existing structures for expansion, improvements, betterments, and extraordinary repairs to existing structures, and repair, replacement, or rehabilitation of bridges. Authorizes the State Funding Board to issue bonds in amounts not to exceed 2.5 percent of the amounts specified above for funding discount and costs of issuance.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $26,998,000 – First Year Debt Service

<u>$400,059,100 Over the life of the bonds</u>
$245,435,000 Principal
$154,624,100 Interest

The Governor's recommended budget for FY18-19, on pages A-13 and A-132, recognizes a proposed bond authorization totaling $245,435,000.

Assumptions:

- The coupon rate is estimated to be six percent.
- Bonds are issued for a term of 20 years.
- One-twentieth of the principal plus interest will be paid annually.
- Based on current bond market rates, it is estimated that the cost of capital reflected by a six percent coupon rate will be sufficient for paying actual first-year debt service plus any costs of issuance.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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